

The Chemical Distribution Industry

An Added Value Partner in the Supply Chain

In today's competitive global market, chemical distributors face not only growing compliance demands and have to deal with digitalization and cyber security issues, but also strive to increase their significance in the chemical value chain and adapt their business models to a changing market environment. CHEManager asked Dorothee Arns, FECC's Director General, about the current market trends, challenges facing the sector and the organization's vision for the chemical distribution industry's future.

CHEManager: *Mrs Arns, what, in your opinion, are the most important short- and long-term challenges facing the sector?*

Dorothee Arns: Right now the top priority everywhere is to cope with the impacts of Covid-19, for example managing the existing uncertainties, adapting to the so-called "new normal", protecting staff from infections while resuming operations safely, reconstructing interrupted supply chains, monitoring inventories and cashflow developments.

Fortunately, the overwhelming majority of distributors in Europe were operational over the past months and without infections. Especially in our business sector diverse product port-

folios, thorough market know-how, supply chain excellence and the ability to respond quickly to emerging challenges and dynamic situations are key to success. This has helped us a lot to weather the storm. Nevertheless, the full impact of economic lockdown measures on our sector and others will become fully visible only over the coming months, and presumably the picture will be as diverse as the distribution sector itself is.

Actually, the Covid-19 experiences are not so far away from the generic challenges chemical distributors are faced with: it starts with services of the future and the added value that distributors can bring in comparison to direct sales, also by proving supply chain excellence at all times, while ap-



Dorothee Arns, FECC

plication segments and required services get more and more diversified.

Secondly, it is digitalization. Home offices and virtual team meetings are just one facet of it, but as we have seen over the past weeks the demand for stable, integrated, reliable, (cyber-) safe solutions along the whole value chain is strongly increasing. This trend will affect distribution significantly, because we are centrally placed in the middle of all supply chain functions and deal with all industrial segments. As regards mid- and long-term challenges, all aspects of sustainability – above all the circular economy – will have a major impact on chemical value chains in Europe and the way we do business. And last but not least, distribution has to rise to the challenges

of the demographic change. This means that the question of how to attract and retain young talent is also high on the agenda.

Do you think that supply chains will be organized differently in the future as a result of the current Coronavirus pandemic?

D. Arns: That's a good question, and its ultimate answer will certainly also depend upon the time it takes to restore the usual supply chains, which suffered from interruption due to the pandemic.

I could well imagine a bigger push towards diversification in all aspects, not only attempts to find a sound balance between local/regional and global sourcing and selling, but also a scrutiny of all current supply chain channels and logistics solutions in use, plus – especially from the distributors' perspective – a potential extension of application segments covered. This might also lead to more strategic alliances in the future.

In the past 10 to 15 years, the supply chains of all industrial segments have become globally optimized and, hence, very vulnerable to protectionist tendencies. In this context, it was a somewhat traumatizing experience to see how quickly most of the EU Member States closed their borders in March and early April without coordination – let alone consultation – with their neighbors and despite the guarantee of a single European market. This aggravated the already tense supply situation in many parts of Europe by interrupting major value chains to the detriment of all and, thus, lively demonstrated the essential value of free trade. Hopefully, this will be considered in future decisions and in the current EU-UK Brexit negotiations.

Additionally, digitalization in the sense of integrated electronic supply chain solutions will certainly move up even higher on the agenda.

One of FECC's objectives is to support its members to manage the digital transformation of the industry. Which are the biggest challenges caused by the ongoing digitalization and how can they be tackled?



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D. Arns: Indeed. The pandemic has also vividly showcased the value of digital solutions, especially when it comes to quick, always up-to-date, reliable, flexible and contactless processing of orders, deliveries and many other supply chain functions, including inventory management and cashflow monitoring.

Since distribution is ideally placed at the core of all supply chain operations – like customizing blending, formulating, packaging, warehousing, R&D, recycling – and covers all segments, while combining production, distribution and international trade, we consider ourselves to be best suited for piloting all kinds of innovative, digital solutions in close collaboration with our value chain partners.

In this respect, associations like FECC can enhance their crucial role, especially when it comes to elaborating industry-wide standards and testing new innovative solutions for their community with internal and external partners in the framework of legally sound governance and compliance rules. With this in mind, the FECC Board has decided already a couple of months ago – well before Corona! – to open up our membership criteria to take also all kinds of value chain partners on board in the pursuit of joint targets, such as digitalization and sustainability.

Especially but not exclusively for small and medium-sized enterprises, without huge IT departments, the various standards applied in different segments/countries/process steps, and the resources needed to ensure and maintain high data quality as well as effectuating the necessary updates in regular intervals are a big issue. At the same time, the safety and confidentiality of data needs to be ensured, all the more so when granting value chain partners access to own systems.

FECC also wants to drive responsible care and sustainable development. Which role do chemical distributors play in the chemical/plastics value chain and how do they support the circular economy concept?

D. Arns: Well, as distributors we are used to the ongoing requirement to constantly prove our value-adding supply chain services and special market know-how to our principals, customers and other supply chain partners. Since our margins are usually smaller than in direct sales, we must strictly apply resource-efficiency as overall guiding principle and important element to safeguard our competitiveness. Moreo-

Global Chemical Leasing Award 2021

FECC is an official sponsor of the Chemical Leasing Award 2021. This Award from UNIDO – the United Nations Industrial Development Organization – has been created in partnership with the governments of Germany, Austria and Switzerland. It aims to acknowledge best practices and innovative approaches related to chemical leasing and performance-based business models for the sustainable management of chemicals. Companies and individuals can submit their applications until Dec. 15, 2020 to ChemicalLeasing@unido.org.

ver, many of our member companies are family-owned businesses, which think from generation to generation and are strongly rooted in their individual neighborhoods, which means that you have to respect all types of sustainability requirements to be accepted – even better: well reputed – by local stakeholders.

Consequently, the successful scouting of market trends plus thorough know-how about present and potential customers is part of our business model, while we are fully committed to all principles of sustainability. This is why we also whole-heartedly co-signed the EU Commission's initiative Circular Plastics Alliance.

Our pledge is to use our market know-how to “connect the dots” in the chemical and plastic value chains to facilitate new, innovative solutions and applications for these chains in general, as well as for recycled plastics in particular, to enhance sustainability and circularity. What helps us here is that our customers range from large multinationals to small startups with new solutions, in some cases even outside the chemical sector.

From this perspective, we see the circular economy as an opportunity to enhance our agile role in the new circular business models.

As already mentioned, the race for young talent will intensify in the coming years. How do you plan to attract young people to the sector?

D. Arns: Well, first of all we need to explain our sector and the wealth of activities it offers more thoroughly, especially how agile, fast-moving, intriguing and diverse it is. What we just discussed on the circular economy topic will help everyone in distribution to make a real difference in contributing to solve the societal mega-challenges of the future. Here we will have compelling stories to tell young people in search of a purpose.

Besides this, the distribution sector offers highly qualified and well-paid jobs with life-long learning opportunities, a high level of responsibility from the first day in the company and a very heterogenous, agile envi-

ronment. Distribution is an international business in midst of production and trade, with many different supply chain functions – real diversity everywhere, in the true sense of the word. If this message is delivered fully and passionately, I am sure it will attract young people to this sector.

What is your vision of the future of the chemical distribution sector? Do you think that the role of chemical distributors in the chemical value chain will change?

D. Arns: Sustainability in general and the circular economy in particular

boost a further diversification in the chemical value chain in all aspects, such as chemical raw materials, sourcing per se, a further segmentation, globalization versus or complemented with regional supply chains, logistics processes, etc.

Agility in combination with a thorough market know-how about future applications and potential customers is needed more than ever before, enriched by the ongoing trend of big producers striving to simplify their business models, also for cost reasons. ‘Solutions’ are needed rather than ‘mere sales’. I am confident that all this can be an opportunity for distributors.

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